



**CITY OF HAMILTON**  
**PUBLIC WORKS DEPARTMENT**  
Transit Division

<b>TO:</b>	Chair and Members Public Works Committee
<b>COMMITTEE DATE:</b>	June 15, 2015
<b>SUBJECT/REPORT NO:</b>	PRESTO Fare Card System Project (PW04117g) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Nancy Purser Manager, Transit Support Services (905) 546-2424, Extension 1876
<b>SUBMITTED BY:</b>	Gary Moore, P.Eng. Acting General Manager Public Works Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Council of the City of Hamilton, as the sole shareholder of The Hamilton Street Railway Company, approve a resolution in the form set out in Appendix “A” authorizing the renewal of the Greater Toronto and Hamilton Area (GTHA) Fare System Operating Agreement, made as of the 27<sup>th</sup> day of October, 2006 between The Hamilton Street Railway Company, the Province of Ontario, Metrolinx, and other participating municipalities and transit authorities (the “Operating Agreement”), for a period of three (3) years, from October 27, 2016, to October 27, 2019;
- (b) That the Mayor and City Clerk be authorized and directed to execute the resolution referred to in subsection (a) and any necessary documents to give effect to subsection (a) on behalf of the City of Hamilton as the Sole Shareholder of The Hamilton Street Railway Company;
- (c) That, prior to any corporate restructuring or dissolution of The Hamilton Street Railway Company,
  - (i) the Council of the City of Hamilton, as the sole shareholder of The Hamilton Street Railway Company offer, and the City of Hamilton accept, the assignment and assumption of the Operating Agreement referred to in subsection (a), including any renewals thereof;
  - (ii) the General Manager of Public Works be authorized to enter into an assignment and assumption agreement on behalf of the City of Hamilton, in a form satisfactory to the City Solicitor, and any other necessary documents to give effect to paragraph (c)(i);

- (d) That the General Manager of Public Works or designate be authorized to negotiate a new operating agreement for the future management of the GTA Fare System (PRESTO).

### **EXECUTIVE SUMMARY**

The current GTHA Fare System or PRESTO Operating Agreement (OA) with Metrolinx was approved through Report PW4117b on June 28, 2006. The OA, which has a term of ten (10) years, is set to expire on October 27, 2016.

The OA may be renewed by agreement of the Province and a majority of the Service Providers. Each renewing Municipal Service Provider (MSPs) must demonstrate agreement to renew by providing the Province a copy of a by-law or resolution properly authenticated by its respective council or board as the case may be.

The renewal period will be for an additional term of three (3) years beginning on October 27, 2016. The renewal will be on the same terms and conditions as provided in the original OA, unless the parties agree otherwise, in writing. Thereafter, the OA may be further renewed for two (2) additional terms of three (3) years each following the same renewal process.

In preparation for the current OA expiration date of October 27, 2016, a request to begin discussions around the new governance model was originally tabled and supported by the GTHA MSPs, in late 2012. In the summer of 2014, PRESTO began consultations with members of the Executive Committee as defined in the OA around potential future governance options. Several workshops have been held to date where several preliminary business models were discussed.

Given the length of time expected to assess and align the newly proposed governance structure, along with any potential operating and/or capital costs, an extension to the existing OA is being recommended as the most viable short term option.

The Hamilton Street Railway (HSR), in cooperation with other GTHA MSPs is requesting a three (3) year renewal term, pursuant to Section 2.2, Article 2 of the OA. This renewal period will provide appropriate time to assess proposed governance model options inclusive of any incremental costs which will be presented to Council for consideration and approval.

The original OA was entered into by the HSR in 2006. In 2007, Council approved the winding-up of the HSR effective January 1, 2009 or as soon thereafter as practicable. Staff are continuing to take steps to dissolve the HSR. Approval of recommendation (c) will authorize the assignment of the original OA, including any renewal, to the City, prior to the dissolution of the HSR. Staff will seek Council authorization to enter into a new PRESTO operating agreement on behalf of the City.

***Alternatives for Consideration - See Page 4***

## **FINANCIAL - STAFFING - LEGAL IMPLICATIONS**

Financial: The extension of the current OA to October 27, 2019, would help to maximize the investment in the current system in terms of devices/hardware, software and future short term enhancements.

Staffing: N/A

Legal: N/A

## **HISTORICAL BACKGROUND**

The PRESTO Smart Card System was created to facilitate seamless inter-regional transit travel throughout the GTHA thereby also encouraging the use of public transit.

Since 2004, HSR has been working with the Province's PRESTO Project Office to develop and implement this electronic fare payment system. On June 28, 2006, Council approved the GTA Fare System Project (PW4117b), authorizing HSR to enter into a ten (10) year agreement for the operation of the PRESTO system. At that time, HSR was required to demonstrate participation in the GTA Fare System in order to continue to receive their allocation of the provincial gas tax.

The OA set forth the roles and responsibilities of the MSPs and the Province. It established a longer term governance structure that defines the mechanisms for the parties to work together at various levels to address ongoing operating requirements of the system. The Provincial funds for PRESTO were in excess of \$250 million. The cost sharing arrangement saw the Province fund 100% of the capital and operating costs of the Central System for ten (10) years (2006-2016). The Province also funded 33% of the capital costs of MSP systems. This funding model applied to all participating municipalities.

The complete rollout of the PRESTO system has experienced delays, thus the rollout of full functionality for conventional transit has been delayed approximately three (3) years from its original schedule. As well, PRESTO has yet to deliver the functionality required to implement the use of the card on specialized transit systems.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

N/A

## **RELEVANT CONSULTATION**

City Manager's Office, Legal Services

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Under Section 2.2, Article 2 of the OA, the Service Providers must provide the Ministry with notice of intent to renew 240 days prior to expiration of the OA, creating a deadline of March 1, 2016. The HSR, in cooperation with other GTHA Municipal Service Providers, is requesting a three year renewal term in accordance with the renewal provision in the OA. Metrolinx has been advised of our intention to seek the renewal, in

a letter signed by GTHA Service Providers. This letter also conveyed our desire to continue to work cooperatively with Metrolinx to arrive at a future governance model that will be in the best interests of all parties.

Given the length of time required to allow PRESTO to achieve original scope functionality and fulfil its obligations under the current agreement; to access the feasibility of various governance models and to negotiate terms of a new operating agreement, a renewal of the current OA is recommended. The three year renewal period will allow MSPs to realize the benefits and understand the costs of a fully functional PRESTO system prior to finalizing the terms of a new operating agreement.

Prior to the dissolution of the HSR, if the original OA remains in force, recommendation (c) will authorize the HSR to offer, and the City to accept, assignment and assumption of the original OA to the City, including for the three year renewal period. Any new PRESTO operating agreement will be entered into by the City of Hamilton, for which staff will seek Council authorization.

## **ALTERNATIVES FOR CONSIDERATION**

N/A

## **ALIGNMENT TO THE 2012 - 2015 STRATEGIC PLAN**

### **Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

### **Strategic Objective**

- 1.4 Improve the City's transportation system to support multi-modal mobility and encourage inter-regional connections.

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

### **Strategic Objective**

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" The Hamilton Street Railway Company Shareholder Resolution